

2004 Michigan Child Support Formula Manual



Friend of the Court Bureau
State Court Administrative Office
Lansing, Michigan

2004 Michigan Child Support Formula Manual

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Changes to the Child Support Formula Manual

2004 Formula Manual Changes	
MCSF Section	Change
all	Manual contents reorganized into the new citation format.
all	Values converted to reflect changes from weekly to monthly amounts.
1.01	New section on citation of the formula manual added.
1.03	New section on the definition of support added.
1.04(D)	New subsection on deviation criteria added.
1.07	Minimum threshold for modification updated to \$25 per month.
1.08	Minimum base support amount updated to \$25 per month.
2.01(F)(29) 2.12(A)(1)	Alimony or Spousal Support between parties in the case no longer counted as income nor allowed as a deduction from income.
2.05(C)	Amended to clarify that noncustodial parent Social Security benefits received by children are to be counted as that parent's income.
2.11	Special considerations in determining income clarified to include others.
2.12(E)	Health insurance premiums paid for parent's other children are to be deducted from net income
3.0	Support obligation includes amounts calculated for base support, ordinary medical expenses, and child care expenses.
3.01	General Support Tables updated with February 2004 CPI-U figure.
3.02(A)	Updated with the 2004 DHHS Poverty Guideline.
3.07	Health care and medical expense section significantly changed and expanded. Includes new definition of health care, remedial care, ordinary expenses, and extraordinary expenses. Requirements added regarding determination of the responsibility to insure. Changed how reasonable cost of healthcare coverage is determined. Added payment of ordinary expenses to obligation.
3.08(B)	Child care expense apportionment percentage made uniform with health care percentages
4.03(B)(2)	Arrearage Guideline updated to 4.35% but not less than \$80 per month.
4.04	Added reference to statutory deviation requirement to agreements related to property section.
4.05	Added SCAO policy on prorating and converting orders.
Supplement	Added Percentage of Income Schedules. Updated Support Schedules based on economic and monthly order changes. Separated to be published as a supplement to the manual.

PREFACE

The Michigan Friend of the Court Act of 1982 and the Federal Child Support Enforcement Amendments of 1984 require the State Court Administrative Office's (SCAO) Friend of the Court Bureau to develop "a formula to be used in establishing and modifying as a guideline in recommending a child support amount. The formula shall be based upon the needs of the child and the actual resources of each parent." MCL 552.519(3)(a)(vi); 42 USC 667(467)(a). "The child support formula developed by the bureau . . . shall be used as a guideline in recommending child support" by the friend of the court offices. MCL 552.505(h). In 1998, the Friend of the Court Act was amended to also provide "the formula shall include guidelines for setting and administratively adjusting the amount of periodic payments on overdue support..."

A committee began work on this Guideline in 1983. It extensively reviewed methodologies in use, held public hearings, conducted original research, and received input from professional economists and other researchers.

The SCAO adopted the first Guideline, which became effective May 1987. The Child Support Formula Subcommittee reviews comments and makes recommendations for the periodic update of this manual.

The Michigan Child Support Formula is reviewed as required by federal legislation, more commonly referred to as the Family Support Act of 1988. Comments regarding suggested changes to the formula should be made in writing to MCSF@courts.mi.gov or mailed to:

Michigan Child Support Formula
c/o State Court Administrative Office
P.O. Box 30048
Lansing, MI 48909

This document is available at: <http://www.courts.mi.gov/scao/services/mcsf/mcsf.htm> and at depository libraries for the State of Michigan (see a list on the Library of Michigan web page at: <http://www.michigan.gov/hal>).

1. BACKGROUND

1.01 Citation

This manual is the “Michigan Child Support Formula of 2004,” which may be abbreviated as “2004 MCSF.” References to provisions in this manual should include the year of the manual cited and section number being referenced. For example, this section could be cited as “Michigan Child Support Formula of 2004 Section 1.01,” or “2004 MCSF 1.01.”

1.02 Purpose of this Formula

The formula is based on common factors which are appropriate for use in the determination of child support obligations. Based on the estimated costs of raising children and factors like parental income, family size, and ages of children, the formula provides for appropriate support amounts in orders involving the support of children.

The formula will assure greater uniformity by those who make recommendations and increase predictability for those who require child support orders.

There may be special cases where the formula cannot be relied on exclusively. For these cases, the formula will provide the court and friend of the court with points of reference from which a support determination can be made.

The formula will also assist parents in reaching agreements on the appropriate level of child support at the time of a divorce or other domestic relations proceeding, or upon modification of a previous order.

1.03 Support Defined

- 1.03 (A) Support refers to the payment of money for a child or a spouse ordered by the court, and may include payment of the expenses of medical, dental, and other health care, child care expenses, and educational expenses. MCL 552.602(ee) contains a statutory definition of support.
- 1.03 (B) For the purposes of this manual, a child support obligation includes payment for the general care and needs of a child, medical support, health care coverage, and child care.
- 1.03 (C) A support obligation includes separately calculated figures for the base support (calculated in Sections 3.01 - 3.05), ordinary and extraordinary health care expenses, provision of health care coverage (Section 3.07), and child care expenses (Section 3.08).

1.04 Application of and Deviation from the Formula

1.04 (A) Required Application.

- (1) All child support recommendations and orders must follow the formula, whether or not the parties agree on the amount of support, except where a court determines that the formula produces an "unjust or inappropriate" result. Except as otherwise provided in MCL 552.605, the court must order child support in an amount determined by application of the child support formula.
- (2) All support orders must be stated in monthly amounts. MCL 552.605c(1).

1.04 (B) Agreements to Deviate.

MCL 552.605(3) states that subsection (2) (i.e., MCL 552.605(2)) does not prohibit the court from entering a support order that is agreed to by the parties and that deviates from the child support formula, if the requirements of that subsection are met and deviation factors (a) - (d) are recorded.

1.04 (C) Deviation Requirements.

- (1) The court may enter an order that deviates from the formula if the court determines from the facts of the case that application of the child support formula would be unjust or inappropriate, and it includes all of the following:
 - (a) The child support amount determined by application of the child support formula.
 - (b) How the child support order deviates from the child support formula.
 - (c) The value of property or other support awarded instead of the payment of child support, if applicable.
 - (d) The reasons why application of the child support formula would be unjust or inappropriate in the case. MCL 552.605(2).

See: MCL 552.605, *Ghidotti v Barber* 459 Mich 189 (1998), and *Burba v Burba* 461 Mich 637 (2000).

- (2) The Michigan Supreme Court has held that the statutory deviation factors must be recorded. "While a trial court may enter an order of support that deviates from the formula, it may not do so without setting forth in writing or on the record why following the formula would be unjust or inappropriate." *Ghidotti v Barber*, 459 Mich 189 (1998). The criteria for deviating from the formula are mandatory and, to fulfill its statutory duty, a court must carefully

articulate these factors to memorialize and explain its decision. *Burba v Burma*, 461 Mich 637, 644-45 (2000).

1.04 (D) Deviation Criteria.

- (1) The Michigan Supreme Court has clarified that deviations cannot be based simply on disagreement with the policies embodied in the statutes or the manual. In *Burba v Burma*, 461 Mich 637 (2000), the Court held that disagreement with the policies implicit in the formula cannot be the basis for a deviation.
- (2) In exercising the discretion set forth in this section, to the extent possible, the court should follow the formula's principles and algorithms, with the exception of those particular provisions that create an unjust or inappropriate result.
- (3) The only basis for deviation from the formula is a finding that application of its provisions would be unjust or inappropriate in a specific case.
- (4) Given the common factors considered, the law presumes that the Michigan Child Support Formula sets appropriate levels of support. However, in a limited number of individual cases, the amounts derived from application of the formula may have an unjust or inappropriate result. In those cases, the law anticipates that the court may exercise discretion in the best interests of the child to determine a just and appropriate amount of support.
- (5) In exercising the discretion set forth in this section, the court may consider any or all of the following factors, as well as any additional factor that it determines to be relevant to the best interests of the child:
 - (a) The child has special needs.
 - (b) The child has extraordinary educational expenses.
 - (c) One or both of the parents are minors.
 - (d) The child's residence income is below the threshold to qualify for public assistance, and at least one parent has sufficient income to pay additional support to raise the child's standard of living above the public assistance threshold.
 - (e) A reduction of income available to support a child has occurred due to extraordinary levels of jointly accumulated debt.
 - (f) The court awards property in lieu of support for the benefit of the child.
 - (g) One or both parents are incarcerated without income or assets.
 - (h) One or both parents have incurred, or are likely to incur, extraordinary medical expenses either for themselves or a dependent.

- (i) One or both parents earn incomes of a magnitude not fully taken into consideration by the formula.
- (j) One or both parents have varying amounts of irregular bonus income.
- (k) Someone other than the parent can supply reasonable and appropriate health care coverage.

1.05 Requirements to Investigate and Petition for Modification

1.05 (A) The Friend of the Court Act states that after a final judgment or order has been entered, the friend of the court office is required to periodically review support orders under the criteria outlined in the Act. The friend of the court office must petition the court if there is a determination that a modification is necessary, unless: (a) the difference between the existing support order and the proposed support amount is within the minimum threshold amount (see Section 1.07) or (b) the court had previously determined that application of the formula was unjust or inappropriate, and the office determines that the facts of the case, the reason for the deviation, and amount of the prior ordered deviation all remain unchanged. MCL 552.517.

1.05 (B) If ordered by the court, the friend of the court office must investigate all relevant facts and make a written report and recommendation to the parties, their attorneys, and the court regarding child support. MCL 552.505(1)(h).

1.05 (C) Orders Lacking Health Care Provisions

If an order lacks health care coverage provisions, the office must petition for modification to require one or both parents to maintain coverage for the child according to the terms of MCL 552.517(7).

1.06 Cases Involving Imputation

When a friend of the court investigation shows voluntary reduction of income or where there is voluntary unexercised ability to earn, the office must make two recommendations: one is based on actual income and the other, an alternative recommendation, based on actual income plus imputed income. The alternative recommendation must include all factual assumptions that form the basis for imputation, the reasons for imputation, and all evidence known to the friend of the court that the individual is or is not able to earn the imputed income. MCL 552.517(3).

1.07 Minimum Threshold for Modification

- 1.07 (A) Following review of child support by the friend of the court office, if the difference between the recommended amount and the current order exceeds the minimum threshold, the friend of the court office is required to petition to modify the order. For the actual language and requirements of the Friend of the Court Act on the child support review and modification process, please see MCL 552.517.
- 1.07 (B) The "minimum threshold for modification" is ten-percent (10%) or more of the existing order or \$25 per month, whichever is less.

Examples:

The friend of the court office conducts a support review as required by statute and the current support order is \$270 per month. The proposed change is to \$296. The friend of the court office must petition the court to modify the order, since the change is greater than the \$25.00 threshold.

The friend of the court office conducts a support review as required by statute and the current support order is \$120 per month. The proposed change is to \$107. The friend of the court office must petition the court to modify the order, since the \$13.00 change is greater than the ten-percent threshold.

The friend of the court office conducts a support review as required by statute and the current support order is \$330 per month. The proposed change is to \$352. The office is not required to petition to modify the order since the change is less than the ten-percent threshold and less than the \$25 threshold.

1.08 Minimum Order Amounts

Support should not be recommended in amounts of less than \$25 per month (plus that parent's share health care and child care), unless the court deviates from the formula.

1.09 Orders with Multiple Children

- 1.09 (A) To comply with MCR 3.211(E)(1), and to avoid recalculating support each time the number of children for whom support is paid changes, all support orders for multiple children must include tiered amounts for the appropriate number of children.

Examples:

The order for this family of four children would state:

\$984 base support per month for 4 children,
\$866 base support per month for 3 children,
\$668 base support per month for 2 children, and
\$439 base support per month for 1 child.

- 1.09 (B) Unless designated as owing for a particular child, amounts ordered for multiple children under MCR 3.211(E)(1) may be administratively allocated into equal per child amounts for record keeping purposes.

2. DETERMINING NET INCOME

The first step in determining each parent's support obligation is to ascertain each parent's net income.

2.01 Sources and Variations in Income

- 2.01 (A) The objective of determining income for purposes of this formula is to establish, as accurately as possible, the monies available to support the children.
- 2.01 (B) "Income" means any of the following:
- (i) Commissions, earnings, salaries, wages, and other income due or to be due in the future to an individual from his or her employer and successor employers.
 - (ii) A payment due or to be due in the future to an individual from a profit-sharing plan, a pension plan, an insurance contract, an annuity, social security, unemployment compensation, supplemental unemployment benefits, or worker's compensation.
 - (iii) An amount of money that is due to an individual as a debt of another individual, partnership, association, or private or public corporation, the United States or a federal agency, this state or a political subdivision of this state, another state or a political subdivision of another state, or another legal entity that is indebted to the individual. MCL 552.602(n).
- 2.01 (C) Where there is evidence of considerable variation in income due to seasonal employment, overtime, second jobs, bonuses, or profit sharing, etc., information from at least the preceding twelve months should be used in calculating net income. Certain occupations and self-employed persons may have considerable variation in income from year to year. The use of three years' income information is recommended where such variation exists.
- 2.01 (D) "Source of income" means an employer or successor employer or any other individual or entity that owes or will owe income to the payer. MCL 552.602(bb).
- 2.01 (E) The term "net income" refers to gross income minus all of the deductions allowed for the purpose of calculating child support. "Net income," many times, will not be equivalent to an individual's net pay, net taxable income, or other similar terms used by other governmental agencies.
- 2.01 (F) The following list outlines types of income from which parents' incomes should be determined. Although the list includes common forms of income, it is not exhaustive and other sources may be considered. These types of income are for the purpose of establishing child support and may not correspond to the sources of taxable income as set forth by the Internal Revenue Service (IRS).

- (1) Salaries and Wages
- (2) Cost of Living Allowance (COLA)
- (3) Shift Premium
- (4) Overtime (Section 2.04)
- (5) Second Job (Section 2.04)
- (6) Commissions
- (7) All Bonuses
- (8) Profit Sharing
- (9) Interest
- (10) Dividends
- (11) Annuities
- (12) Pensions/Longevity
- (13) Deferred Compensation/Individual Retirement Account (IRA) (Section 2.06)
- (14) Trust Fund Payments
- (15) Unemployment Benefits
- (16) Strike Pay
- (17) Supplemental Unemployment Benefits (SUB) Pay
- (18) Sick Benefits
- (19) Worker's Compensation
- (20) Social Security Retirement/Disability Benefits (Subsections 2.05(A)-(C))
- (21) Veteran Administration Benefits
- (22) Disability Insurance
- (23) G.I. Benefits - excluding education allotment
- (24) National Guard and Reserves Drill Pay
- (25) Armed Services - base pay plus allowance for quarters, rations and specialty pay
- (26) Dividends Earned from Life Insurance Policies
- (27) Allowance for Rent (when provided by the employer as a fringe benefit)
- (28) Rental Income
- (29) Alimony/Spousal Support paid by someone other than the other parent in the case under consideration
- (30) Net Gambling and Lottery Winnings
- (31) Tax-exempt income, such as the interest and dividends paid on municipal bonds and other government securities.
- (32) Insurance or other similar payments received as compensation for lost earnings (but not payments to compensate for medical bills or for property loss or damage).
- (33) Adoption Subsidy - standard/basic needs portion for child(ren) in case under consideration. (The medical needs and intensive rate portion of the Adoption Subsidy and all of the Family Support Subsidy must not be considered as income. These subsidies are excluded for meeting special emotional and physical needs.)

See Section 2.11 for special considerations to keep in mind when determining the income of self-employed persons, business owners, business executives, and others.

2.02 Identifying Net Income

2.02 (A) Net income should be determined from actual tax returns whenever possible. When determining the parties' net incomes for the purpose of modifying an existing child support order, it is beneficial for both parents to produce their actual tax returns because it will provide more accuracy in the determination of actual taxes paid and identify many types of income.

2.02 (B) If a parent and that parent's new spouse file a joint tax return and that return is made available, deduct the new spouse's income from the total joint income and prorate joint taxes between the spouses. When prorating, use the fraction obtained by dividing the employment income (salary, wages, tips, commissions, bonuses, profit sharing, etc.) of the parent by the total employment income of the parent and the new spouse.

Example:

<u>Step 1:</u>	Parent's employment income:	\$20,000
	New spouse's employment income:	+ \$40,000
	Total employment income:	\$60,000
<u>Step 2:</u>	Parent's employment income divided by total employment income:	\$20,000/\$60,000
	Resulting fraction/percentage:	1/3 or 33.3%
<u>Step 3:</u>	Total joint tax obligation* (as stated on the tax return)	\$15,000
	*Including taxes on non-employment income such as interest, dividends, capital gains, etc.	
	Multiply fraction/percentage by total joint tax obligation:	1/3 x \$15,000
	Parent's share of joint tax obligation:	\$5,000

2.02 (C) If parents and their new spouses file joint tax returns and the entire return is not made available, assume that the parent's income is the total family income. Also assume that the parent is entitled to each dependency tax exemption claimed by the parent and the new spouse. **Note:** This approach may have the effect of understating the parent's tax liability and, therefore, overstating the parent's net income.

2.03 Children's Income

- 2.03 (A) A child's income ***should not*** ordinarily be considered in calculating child support as long as a child is eligible to receive support.
- 2.03 (B) A child's Supplemental Security Income (SSI) benefits ***should not*** be considered as income.
- 2.03 (C) In cases where a child is a professional or is involved in some activity and earns a large income, discretion must be exercised.

2.04 Overtime and Second Jobs

- 2.04 (A) All overtime and second job income should be considered income when setting support.
- 2.04 (B) Evidence produced that overtime or second job hours will be changed in the future may be considered.

2.05 Social Security Benefits

- 2.05 (A) Supplemental Security Income (SSI) benefits are a means tested source of income and may not be counted as income. (Section 2.09)
- 2.05 (B) All Social Security Retirement, Survivor's, or Disability Insurance benefits received by the children in the case under consideration, other than those based on the earnings record of the noncustodial parent, must be considered custodial parent income.
- 2.05 (C) Social Security Retirement, Survivor's, or Disability Insurance Program dependent benefits for the children in the case under consideration based on the earnings record of the noncustodial parent should be considered as noncustodial parent income, and ***not*** considered as custodial parent income.
- 2.05 (D) However, benefits for the children based on the noncustodial parent's earnings record should be credited against the support obligation according to the following instructions:

- Step 1: Determine both parents' net incomes. (Remember to include the children's benefits according to Sections 2.05(B) and 2.05(C)).
- Step 2: Determine the total support amount (Chapter 3).
- Step 3: Determine the monthly amount of Social Security benefits attributable to the noncustodial parent received for the child(ren).
- Step 4: Subtract the attributable children's benefit amount from the total support amount calculated.
- Step 5:
- (1) If the noncustodial benefits received by the child(ren) exceeds the total support amount calculated, no additional support should be paid.
 - (2) If the noncustodial benefits received by the child(ren) are less than the total support calculated, the difference between the benefits received and the total support calculated should be paid.
- Example:*** Adjust support for noncustodial social security benefits paid for minor children.

- Step 1: Determine the noncustodial and the custodial parents' net incomes.
- The noncustodial parent earns \$1,550 net per month (including children's benefits according Section 2.05(C)).
- The custodial parent earns \$1,050 net per month.
- Step 2: Determine the total support amount (Chapter 3).
- Support is \$689 per month for three children.
- Step 3: Determine the monthly amount of Social Security benefits attributable to the noncustodial parent received for the child(ren).
- \$625 children's monthly benefit attributable to the noncustodial parent.
- Step 4: Subtract the attributable children's benefit amount from the total support amount calculated.
- $\$689 \text{ (total support)} - \$625 \text{ (monthly benefit)} = \64 (per month)

Step 5: Since the remaining benefit does not exceed the support amount, the payer must pay \$64 per month

- 2.05 (E) The following cases may offer information regarding consideration of Social Security benefits: *Frens v Frens*, 191 MichApp 654 (1990); *Jenerou v Jenerou*, 200 MichApp 265 (1993); *Paulson v Paulson*, 254 MichApp 568 (2002).

2.06 Deferred Compensation/Individual Retirement Account (IRA)

- 2.06 (A) If a payer retires and receives payment from an IRA, defined contribution, or deferred compensation plan, income from contributions to the plan which were previously assessed for child support should be excluded on a prorated basis.

Example:

A payer's IRA account totals \$200,000 at the time of retirement, but \$15,000 in contributions to the account were made while the payer was under an obligation to pay child support, and were included as income at that time. Therefore, 15/200 of the benefit payments should be excluded from consideration as income.

2.07 Inheritances and One-Time Gifts

- 2.07 (A) Property and principal should not be considered as income.
- 2.07 (B) Interest earned from inheritances and gifts should be considered as income.

2.08 Non-Income and Low Income Producing Assets

- 2.08 (A) Non-income or low-income producing assets should be evaluated to establish a reasonable rate of expected return depending on the type and nature of the asset. The expected income should be used when determining child support.
- 2.08 (B) At a minimum, a reasonable rate of expected income may be attributed to those assets by using current average interest rates for passbook savings accounts, treasury bills, treasury bonds, certificates of deposit, etc.
- 2.08 (C) Non-income producing assets that are owned by custodial and noncustodial parents, after the property is distributed pursuant to the judgment of divorce or at the time child support recommendations are made, may be used to determine expected income.
- (1) Non-income or low-income producing assets may include but are not limited to: cash, cash surrender value of insurance policies, loans to or stock in a controlled or family owned corporation, loans to third parties, real estate,

jewelry, antiques, collections, inventories, vehicles, pension and profit sharing plans, etc.

- (2) Certain non-income producing assets such as a home and its reasonable furnishings, an automobile, and other small non-income assets should be excluded from consideration.

2.09 Means Tested Income

Income from means tested sources, such as Temporary Assistance to Needy Families (TANF), Family Independence Payments (FIP) (formerly AFDC), Food Stamps, Earned Income Credit (Federal Taxes), Supplemental Security Income (SSI), etc. must not be considered income when determining child support.

2.10 Imputation of Income

- 2.10 (A) Imputation of income is treating a party as having income or resources that the individual does not actually have. This usually occurs in cases where there is a voluntarily reduction of income or a voluntary unexercised ability to earn.
- 2.10 (B) The final determination as to the appropriateness of imputation in a particular case is a judicial one.
- 2.10 (C) Imputation should also take into account the possible inclusion of child care where imputation would make that issue relevant.
- 2.10 (D) Include the basis for imputation and the amount imputed.
- 2.10 (E) When determining what income, if any, consider among other equitable factors the following criteria:
 - (1) Prior employment experience;
 - (2) Educational level;
 - (3) Physical and mental disabilities;
 - (4) The presence of the parties' children in the individual's home and its impact on the earnings;
 - (5) Availability of employment in the local geographical area;
 - (6) The prevailing wage rates in the local geographical area;
 - (7) Special skills and training; or
 - (8) Whether there is any evidence that the individual in question is able to earn the imputed income.
- 2.10 (F) Imputation must be applied equally to payers and payees, and to men and women. Imputation is not appropriate where:

- (1) A parent's source of income is a means tested income such as Temporary Assistance to Needy Families (TANF), Family Independence Payments (FIP) (formerly AFDC), Food Stamps, Supplemental Security Income (SSI), etc.;
- (2) There has not been a significant reduction in income compared to the period preceding the filing of the complaint (or the motion for modification, in a modification proceeding); or
- (3) The individual is employed full time (35 or more hours per week), but is in a situation where employment income has been reduced through reduced hours (such as leaving a second job or refusing overtime).

2.10 (G) In cases in which income is imputed, the amount imputed should be sufficient to bring total income up to the level it would have been if there had been no reduction in income, provided that the imputation computation shall not be based on any hours beyond 40 per week nor any overtime or shift premiums.

2.10 (H) The following cases offer guidance in determining whether imputation of income is appropriate; *Travis v Travis*, 19 Mich App 128 (1969); *Moncada v Moncada*, 81 Mich App 26 (1978); *Dunn v Dunn*, 105 Mich App 793 (1981); *Heilman v Heilman*, 95 Mich App 728 (1980); *Joslin v LaVance*, 154 Mich App 501 (1986); *Rohloff v Rohloff*, 161 Mich App 766 (1987); *Daniels v Daniels*, 165 Mich App 726 (1988); *Olson v Olson*, 189 Mich App 620 (1991) (aff'd in lieu of lv gtd, 439 Mich 986); and *Ghidotti v Barber* 459 Mich 189 (1998).

2.11 Special Considerations in Determining Income (Including Self-Employed Persons, Business Owners, Executives, and Others)

2.11 (A) There are special difficulties in determining the income of certain individuals. This is due to at least four related causes. First, self-employed persons, business owners, and others often have types of income and expenses not frequently encountered in determining the income of most people. Second, the tax rules and tax forms associated with self-employment income are not only quite different from those associated with ordinary income from employment, but are designed with many additional purposes unrelated to child support determination and may therefore be difficult to translate into child support terms. Third, business balance sheets and other records also have purposes unrelated to child support determination, and are similarly difficult to translate into child support terms. Finally, there are potential difficulties because persons who have significant control over the form and manner of their own compensation may be able to arrange that compensation so as to be able to minimize the amount visible to friends of the court and others. To a somewhat lesser extent, all these considerations also apply to business executives who may have little or no ownership interest in the business.

- 2.11 (B) The objective of determining income for purposes of this formula is to estimate as accurately as possible the monies available for support of children. Because tax rules and forms, and business balance sheets, as noted above, have quite different purposes, it is necessary to examine such documents carefully, with an emphasis on what is not available from those documents and what needs translation into child support terms.
- 2.11 (C) These considerations apply to **all** forms of self-employment and business ownership, regardless of whether the business is organized as a corporation, a partnership, a sole proprietorship, or is a completely informal operation (of course, the form of organization will make a major difference in the sort of tax documents and business records available). As noted, many of these considerations will also apply to business executives, again without regard to the form of legal organization of the business.
- 2.11 (D) Special attention should be given to the following factors:
- (1) Unusual forms of income. Income may come in many forms other than wages and salaries. These might include distributed profits of the business (including under a profit-sharing plan), officers' fees and other compensation, management or consulting fees, commissions, and bonuses.
 - (2) In-kind income. Income might be received in a form other than cash. Among the most common forms of such income are use of a company car, free admission to entertainment provided by the business to its clients, and purchases of stock or other goods and services. All such in-kind income should be priced at its market value (the price that a person not affiliated with the business would have had to pay); the amount (if any) that was paid by the individual for the goods or services out of his or her pocket should be subtracted; and the remaining amount counted as income (note that part or all of the items added to income in this section may be allowable as deductions under Subsection (7)).
 - (3) Re-directed income. In some cases, income to the owner or executive might be treated by the company as if it were something else. One example would be personal loans to the owner or executive which will not be paid back. These can later be "forgiven" by the company, or otherwise converted into income to the individual, once the time of child support determination is past. Although it should be presumed that such loans are in fact income, the presumption may be overcome if there is a history of such past loans being made and being repaid in a timely manner with market interest rates, and the current loan is at market interest rates and is fully paid up in accordance with a commercially reasonable time schedule. The amount by which a commercially reasonable repayment amount exceeds the amount actually repaid should be treated as income.
 - (4) Other forms of redirected income are payments by the business (in the form of wages, salaries, or payments for services) made to friends or relatives of

the individual. If the individual cannot demonstrate that there is a history of such payments preceding the separation (or motion for redetermination of child support) by several months or that the payments are a fair market value payment for services actually performed, then the payments shall be treated as income to the individual.

- (5) Deferred income. It is possible for business owners and executives to reduce their income for the period of a child support determination by temporarily lowering their own salaries, fees, distributed profits, etc. Past practices should be examined with care to determine whether the most recent information on such incomes is in line with historical patterns. For example, if it has been normal for a business to distribute a certain percentage of profits to owners, but the most recent year's distribution was substantially below that percentage, income for child support determination should be based on the historical average. Recent reductions in salary, bonuses, management fees, etc., as a percentage of gross income of the business should be treated the same manner.
- (6) Fringe Benefits. Certain fringe benefits paid by the business should be counted as income to the individual for child support determination purposes, even though such payments are not considered income for tax purposes. These include contributions to pension or other retirement plans, except for the employer share of Social Security and Medicare (FICA) taxes and contributions to qualified private retirement plans of up to 5.5 percent of the individual's gross income. Contributions in excess of these exceptions are to be counted as income.
- (7) Deductions. For a wide variety of historical and policy reasons, there are a considerable number of deductions allowed for taxation of business and individuals that are irrelevant to, and therefore **not** allowed as deductions from income for purposes of, child support determination, unless the expenses are consistent with the nature of the business. These include the following:
 - (a) Rent paid by the business to the individual (unless the rent is otherwise counted as income to the individual);
 - (b) Certain depreciation allowances. (Depreciation is an allowance for the presumed declining market value of assets used by the business. For tax purposes, depreciation allowances serve the function of spreading the deduction that would be associated with the expense of a purchase over several tax years; because the depreciation periods typically understate the useful life of many assets, depreciation allowances also provide some incentive to purchase new assets.) The **only** depreciation allowances that are permitted to be used as deductions from income for child support purposes are those that: 1) involve the property of the individual (not a corporation or partnership); **and** 2)

involve tangible personal property (thus not financial assets or realty) other than automobiles or home offices; **and** 3) are based on straight-line (and not accelerated) tax depreciation. (Straight-line depreciation is when equal dollar amounts are claimed as depreciation allowances on a given asset in each of several tax years. Individuals who used accelerated depreciation on their tax returns can claim a deduction for the straight-line amount, provided the deduction meets the other criteria, if they can prove through an affidavit from an independent CPA what the straight-line amounts would have been).

- (c) Home office expenses, including rent, hazard insurance, utilities, repairs, and maintenance;
- (d) Business entertainment expenses spent on the parent (expenses on customers are allowable as deductions);
- (e) Travel expenses, except where such expenses are inherent in the nature of the business or occupation (e.g., a traveling salesperson), and in no case in excess of rates allowed by the state of Michigan for travel by its employees (such as automobile mileage rates, airplane coach rates, etc.); and
- (f) Automobile repair and maintenance expenses.

Note: Some items listed above appear in more than one section. This is because the items may appear on both individual and employer tax returns, in somewhat different guises.

2.12 Allowable Deductions from Gross Income

2.12 (A) Alimony/Spousal Support

- (1) Any alimony/spousal support order paid to someone other than the other parent of the case under consideration should be deducted prior to the calculation and deduction of federal, state, and local income taxes. (Note: Alimony paid to the other parent may no longer be deducted).
- (2) The calculation of Social Security taxes (FICA) is based on gross income before deduction of the alimony/spousal support order.

2.12 (B) Federal, State, and Local Income Taxes

- (1) In the absence of an explicit written agreement or judicial order to the contrary, the person with whom the child resides the greater number of days

during the calendar year must be presumed to be entitled to the dependent exemption for that child.

- (2) In determining filing status (Single or Married), presume the status that is most consistent with the situation of the parents as of the date of the order based on this recommendation.
- (3) When determining parents' net incomes for the purpose of establishing temporary child support recommendations, use each parent's current filing status.
- (4) In the event that tax returns are not made available, taxes should be estimated based on the best available information such as W-2 forms, employer statements, employer tax guides, pay vouchers, testimony, etc.
- (5) When tax returns cannot be obtained, utilize Employer Tax Guides for federal, state, and local taxes to determine net income by subtracting the deductions from gross earnings for the appropriate number of exemptions, rather than on the number claimed on the parent's W-4.

Example:

If an individual is currently single, presume that person will stay single and continue utilizing a single filing status. A parent may request a modification based on changed circumstances when that parent's filing status actually changes.

- 2.12 (C) F.I.C.A.
- 2.12 (D) Any mandatory withholdings required as a condition of employment (e.g., most union dues and some retirement plans).
- 2.12 (E) The determinable portion of health insurance premiums for other children the parent is obligated to support.
- (1) The determinable portion of health insurance premiums paid by parents for any other child that parent is legally obligated to support (excluding children in case being evaluated) should be subtracted dollar for dollar from gross income.
 - (2) If the children in the case under consideration, the parent, or others are included on the coverage, the other children's portion of the premium is represented in the difference in cost between single and family coverage, divided by the number covered by the family coverage (excluding the parent), and multiplied by the number of other children that the parent is obligated to support.

- (3) If the cost of single coverage cannot be determined or if the parent is not included, the children's portion of the premium is represented in the entire premium divided by the number of individuals covered, and multiplied by the number of other children that the parent is obligated to support.
- 2.12 (F) Premiums for term equivalent insurance policies when the child(ren) are the beneficiaries by order or judgment.
 - (1) When term life insurance premiums are being paid by either parent as ordered, that premium should be deducted dollar for dollar from gross income.
 - (2) When whole life insurance policies are maintained as ordered, a premium amount should be calculated for the term insurance equivalent and subtracted from gross income.
- 2.12 (G) Employer contributions to private qualified pension plans, to the extent that such contributions are less than 5.5 percent of the employee's gross income.
- 2.13 Existing Support Orders**
- 2.13 (A) *Existing* support orders are prior or subsequent support obligations for children other than those in the case specifically under consideration.
- 2.13 (B) The actual amount of any existing order, including child care and ordinary medical expenses, must be subtracted from a parent's net income in order to determine the net income upon which child support for the case under consideration should be based. Arrearage payments should not be deducted.
- 2.13 (C) If there is reliable information that the existing order has not been complied with for a significant period of time, two recommendations shall be prepared, one with and one without the existing order adjustment.

Example:

A noncustodial parent earns \$1,450 net per month and pays child support of \$299 per month for one child in another case.

$$\$1,450 - \$299 = \$1,151$$

The noncustodial parent's support obligation for the case under consideration would be based on a monthly net income of \$1,151.

2.14 Ex Parte and Temporary Orders

For the purpose of determining that parent's child support obligation, if a parent is ordered to pay taxes, mortgage, home insurance, telephone, or utilities in an ex parte or temporary order, those expenses should be subtracted from that parent's net income.

2.15 Other Minor Children

2.15 (A) Parents should receive an adjustment to their net income for (other) biological or legally adopted minor children from other relationships living in their household before determining the income upon which child support for the case under consideration should be based.

2.15 (B) After determining the parent's net income and subtracting existing support orders, multiply that income by the percentage for the appropriate number of "other" children found in Other Minor Children Percentages Table, and calculate the support based on the result.

**Other Minor Children Percentages
Applied to Net Income**

Number of Children	Adjustment Percentage
1	89.6%
2	84.1%
3	79.8%
4	77.3%
5 or more	75.2%

Example:

The noncustodial parent earns \$1,750 net per month, and the custodial parent requests a modification of the support order for the three children. In considering this modification request, two additional biological children currently living in the noncustodial parent's household should be taken into account.

$$\$1,750 \times .841 = \$1,472$$

The amount of support for the three children in the case under consideration should be determined based on a noncustodial parent income of \$1,472.

2.16 Stepchildren

- 2.16 (A) In most circumstances, stepchildren should not be considered when determining the child support for a stepparent. In Michigan, children are the responsibility of their natural/adoptive parents. However, there may be cases in which support is unavailable from both natural/adoptive parents, and stepparents are required to make substantial contributions to their stepchildren's support.
- 2.16 (B) A parent in the case under consideration supporting stepchildren should receive a stepchild adjustment to net income when the stepchild's parents earn no income and do not have the ability to earn income.
- 2.16 (C) After determining that the parent in the case under consideration supports stepchildren and that the stepchildren are unsupported by their parents, multiply that parent's net income after all other preceding sections are applied by the percentage for the appropriate number of stepchildren found in the Stepchild Percentages Table, and calculate the support based on the result.

**Stepchild Percentages
Applied to Net Income**

Number of Children	Adjustment Percentage
1	94.8%
2	92.1%
3	89.9%
4	88.6%
5 or more	87.6%

3. CALCULATING CHILD SUPPORT AMOUNTS

The second step in determining each parent's child support obligation is calculation of the appropriate amount. This section describes the methods of calculating support obligations. Sections 3.01 through 3.05 outline the calculation of the portion of a support obligation that excludes amounts for medical and child care (i.e., base support). Section 3.07 outlines healthcare coverage determinations, the payment of extraordinary expenses, as well as calculation of the monthly medical support obligation to be paid toward ordinary health care expenses. Section 3.08 outlines the calculation of the child care support obligation.

Calculating child support obligations includes applying the appropriate base support calculations in Section 3.01 through 3.05 to both parents' monthly net incomes (calculated using Chapter 2) and the results of Section 3.07 and 3.08.

3.01 General Support Obligations

Various percentages of net income, which are based on the estimated costs of raising children, are used to determine child support in this formula. The percentages are based on the number of children and the total net family income displayed in the General Care Support Tables shown below and do not include medical or child care expenses. The total net family income levels against which the percentages are applied are annually adjusted using the Consumer Price Index for Metropolitan Detroit, with 1985 as the base.

General Support Tables

General Care Support Table: One Child							
Income Amount	Base Percentage	Base Support	&	Marginal Percentage			
\$1,013	25.5%	\$258.32	+	24.17%	over		\$1,013
\$1,627	25.0%	\$406.75	+	17.49%	over		\$1,627
\$2,218	23.0%	\$510.04	+	16.66%	over		\$2,218
\$2,847	21.6%	\$614.95	+	14.64%	over		\$2,847
\$3,697	20.0%	\$739.40	+	13.92%	over		\$3,697
\$5,250	18.2%	\$955.50	+	12.37%	over		\$5,250
\$6,470	17.1%	\$1,106.37	+	11.23%	over		\$6,470
\$8,133	15.9%	\$1,293.15	+	10.00%	over		\$8,133

General Care Support Table: Two Children						
Monthly Family Net Income	Percentage Allocated	Base Support	+	Marginal Percentage	over	Income Level
\$1,013	39.4%	\$399.12	+	36.22%	over	\$1,013
\$1,627	38.2%	\$621.51	+	26.19%	over	\$1,627
\$2,218	35.0%	\$776.30	+	23.69%	over	\$2,218
\$2,847	32.5%	\$925.28	+	22.50%	over	\$2,847
\$3,697	30.2%	\$1,116.49	+	21.75%	over	\$3,697
\$5,250	27.7%	\$1,454.25	+	20.28%	over	\$5,250
\$6,470	26.3%	\$1,701.61	+	17.01%	over	\$6,470
\$8,133	24.4%	\$1,984.45	+	15.00%	over	\$8,133

General Care Support Table: Three Children						
Monthly Family Net Income	Percentage Allocated	Base Support	+	Marginal Percentage	over	Income Level
\$1,013	49.4%	\$500.42	+	47.28%	over	\$1,013
\$1,627	48.6%	\$790.72	+	35.09%	over	\$1,627
\$2,218	45.0%	\$998.10	+	30.52%	over	\$2,218
\$2,847	41.8%	\$1,190.05	+	28.75%	over	\$2,847
\$3,697	38.8%	\$1,434.44	+	27.98%	over	\$3,697
\$5,250	35.6%	\$1,869.00	+	23.40%	over	\$5,250
\$6,470	33.3%	\$2,154.51	+	19.61%	over	\$6,470
\$8,133	30.5%	\$2,480.57	+	19.00%	over	\$8,133

General Care Support Table: Four Children						
Monthly Family Net Income	Percentage Allocated	Base Support	+	Marginal Percentage	over	Income Level
\$1,013	55.6%	\$563.23	+	52.68%	over	\$1,013
\$1,627	54.5%	\$886.72	+	39.86%	over	\$1,627
\$2,218	50.6%	\$1,122.31	+	34.31%	over	\$2,218
\$2,847	47.0%	\$1,338.09	+	33.08%	over	\$2,847
\$3,697	43.8%	\$1,619.29	+	31.97%	over	\$3,697
\$5,250	40.3%	\$2,115.75	+	24.92%	over	\$5,250
\$6,470	37.4%	\$2,419.78	+	23.22%	over	\$6,470
\$8,133	34.5%	\$2,805.89	+	22.00%	over	\$8,133

General Care Support Table: Five or More Children						
Monthly Family Net Income	Percentage Allocated	Base Support	+	Marginal Percentage	over	Income Level
\$1,013	60.8%	\$615.90	+	57.36%	over	\$1,013
\$1,627	59.5%	\$968.07	+	42.61%	over	\$1,627
\$2,218	55.0%	\$1,219.90	+	37.80%	over	\$2,218
\$2,847	51.2%	\$1,457.66	+	37.28%	over	\$2,847
\$3,697	48.0%	\$1,774.56	+	35.83%	over	\$3,697
\$5,250	44.4%	\$2,331.00	+	24.78%	over	\$5,250
\$6,470	40.7%	\$2,633.29	+	24.07%	over	\$6,470
\$8,133	37.3%	\$3,033.61	+	23.00%	over	\$8,133

3.01 (A) General Care Support Formula

To calculate a base support obligation, apply the total monthly net family income to the appropriate General Care Support Table and income level, and apportion the family support amount between both parents based on each parent's percentage of family income.

The noncustodial parent's general care support obligation calculation formula is:

$$\{A + [B \times (C - D)]\} \times (E \div C) = G$$

[Note: if $E > P$ and $C < I$ then support is calculated $(C \times J) (E \div C) = G$]

For the purposes of this formula:

A	=	Base Support for Family Income (General Care Support table, column 3)
B	=	Marginal Percentage (General Care Support table, column 4)
C	=	Actual Total Net Family Income (add net incomes of parties, rounded to nearest whole dollar)
D	=	Income Level (General Care Support table, last column)
E	=	Noncustodial Parent Allowable Net Income (round to nearest whole dollar)
G	=	Noncustodial Base Support-using table calculation (round to nearest whole dollar)
P	=	Poverty Level Income (Section 3.02(A))
I	=	Table Family Income Amount lowest level
J	=	Percentage Allocated (General Care Support table, column 2)

Example: Using General Care Support Formula, calculate the base support amount for the five children in this family.

Step 1: Calculate monthly family net income.

Noncustodial parent earns \$2,200 net per month, and the custodial parent earns \$1,600. Add the parents' net incomes to determine the total net family income: $\$2,200 + \$1,600 = \$3,800$

Step 2: Calculate noncustodial parent's share of the base support obligation

$$\{\$1,774.56 + [35.83\% \times (\$3,800 - \$3,697)]\} \times (\$2,200 \div \$3,800) = G$$

$$\{\$1,774.56 + [.3583 \times (\$103)]\} \times (.5789) = G$$

$$\{\$1,774.56 + [\$36.90]\} \times (.5789) = G$$

$$\{1,822.46\} \times (.5789) = \$1,049 \text{ Base Support per month.}$$

3.02 Calculation of Child Support in Low/No Income Cases

3.02 (A) For the purpose of this formula, poverty level income is defined as \$776 or less per month (2004 United States HHS Poverty Guideline).

3.02 (B) When custodial parents have a poverty level income or less, their incomes are not used in calculating the base support amount. In this way, those parents retain some income toward meeting their basic necessities, while contributing as much as possible to the support of their children.

3.02 (C) The formula described in Section 3.01 does not apply when the payer earns income below the poverty level. In cases where a noncustodial parent has a poverty level income or lower, that parent's base support payment should be 10% of income.

(1) The percentage adjustment (10%) should be decreased by 1% for every additional \$450 per month that the custodial parent earns, as stated in the Poverty Level Income Percentage Adjustment Table.

(2) The noncustodial parent poverty level income calculation formula is:

$$(E \times K \text{ (or \$25 whichever is more, see Section 1.08)}) = L$$

For the purposes of this formula:

E = Noncustodial Parent Net Income of poverty level or less (round to nearest whole dollar)

K = Percentage Adjustment from Poverty Level Income Percentage Adjustment Table based on Custodial Parent Income

L = Noncustodial Parent Monthly Base Support Amount (round to nearest whole dollar amount)

Poverty Level Income Percentage Adjustment Table			
Custodial Net Income	% Adjust	Custodial Net Income	% Adjust
\$0 - \$776	10%	\$2,250 - \$2,699	5%
\$777 - \$899	9%	\$2,700 - \$3,149	4%
\$900 - \$1,349	8%	\$3,150 - \$3,599	3%
\$1,350 - \$1,799	7%	\$3,600 - \$4,049	2%
\$1,800 - \$2,249	6%	\$4,050 or more	1%

Example:

Using the noncustodial parent poverty level income calculation, figure the total monthly base support amount for three children in this family.

Step 1: Calculate monthly net incomes.

Noncustodial parent earns \$600 net per month, and the custodial parent earns \$1400.

Step 2: Calculate the monthly base support amount using the poverty level income calculation.

(\$600 x 7% (or \$25 whichever is more, see Section 1.08)) = L
\$42.00 = L

3.02 (D) In low income cases where noncustodial parents earn more than a poverty level income, **the base support amount is the apportioned support amount (calculated using the formula in Section 3.01), or is the difference between the noncustodial parent's net monthly income and the poverty level plus the support amount that the parent would pay at poverty level (using the noncustodial parent poverty level income calculation, above), whichever is less.** The noncustodial parent low income calculation formula is:

$$(P \times K \text{ (or \$25 whichever is more see Section 1.08)}) + (E - P) = M$$

if $M < G$ then $M = L$
if $M \geq G$ then $G = L$

For the purposes of this formula:

P	=	Poverty Level Income (Section 3.02(A))
K	=	Percentage from the Poverty Level Income Percentage Adjustment Table
E	=	Noncustodial Parent Net Income (round to nearest whole dollar)
M	=	Noncustodial Support-using Low Income Adjustment calculation
G	=	Noncustodial Support-using Section 3.01 calculation
L	=	Base Support Amount (round to nearest whole dollar amount)

Example:

Using the noncustodial parent low income calculation, figure the base support amount for four children in this family.

Step 1: Calculate net monthly incomes.

Noncustodial parent earns \$950 net per month, and the custodial parent earns \$1,300.

Step 2: Calculate the total monthly support amount

$$[\$776 \times 8\% \text{ (or } \$25 \text{)}] + (950 - 776) = M$$

$$[\$62.08] + (\$174) = M$$

$$\$236 = M$$

Step 3: The base support amount is the lesser of the results from the low income calculation formula and from the General Care Support calculation formula:

$$M = \$236$$

$$G = \$478 = \{ \$1,122.31 + [34.31\% \times (\$2,250 - \$2,218)] \} \times (\$950 \div \$2,250)$$

Therefore, the base support amount for this example is \$236.

3.03 Calculating Child Support Using Support Schedules

3.03 (A) The monthly support schedules included in the Schedules Supplement provide approximate base support amounts at different incomes, and **incorporate the appropriate calculation formula** (Sections 3.01 and 3.02).

3.03 (B) **The schedules do not include the required average ordinary health care expense amount** (Section 3.07(c)), **or child care** (Section 3.08), and do not factor in any costs or savings associated with parenting time or shared custody .

3.03 (C) The percentage of income schedules included in the Schedules Supplement provide noncustodial parent's percentage of family income at specified income levels with 10% minimum and 90% maximum percentages.

- (1) To calculate the other parent's percentage of family income, subtract the noncustodial parent's percentage from 100%.
- (2) These percentages are used to apportion all medical support and health care support amounts, and child care expenses. The noncustodial percentage may be used to replace the apportionment part of the general support formula calculation.

3.03 (D) To use the schedules, apply the following steps:

Step 1: Determine each parent's net monthly income and round to the nearest increment of \$50.

Step 2: Find the schedule for the appropriate number of children.

Step 3: Find the noncustodial parent's net income on the vertical column and the custodial parent's net income on the horizontal row. The noncustodial parent's monthly base support obligation is found where the noncustodial income line and the custodial income column intersect. (Note: The ordinary health care expense average amount from Section 3.07(C) is not included.)

Step 4: Calculate and add the health care expenses average amount and child care expenses pursuant to Sections 3.07 and 3.08.

3.04 Calculation of Child Support in High Income Cases

In high income cases, where total family income exceeds the income categories listed in the Support Schedules Supplement, the base support amount should be calculated according to Section 3.01.

Example: Using Section 3.01, calculate the monthly support amount for the two children in this high income family.

Step 1: Calculate monthly family net income.

Noncustodial parent earns \$6,600 net per month, and the custodial parent earns \$2,500.

Add the parents' net incomes to determine the monthly family net income:

$$\$6,600 + \$2,500 = \$9,100$$

Step 2: Calculate noncustodial parent's share of the base support obligation.

$$\{\$1,984.45 + [15.00\% \times (\$9,100 - \$8,133)]\} \times (\$6,600 \div \$9,100) = G$$

$$\{\$1,984.45 + [.1500 \times \$967]\} \times .7253 = G$$

$$\{\$1,984.45 + [\$145.05]\} \times .7253 = G$$

$$\{\$2,129.50\} \times .7253 = \$1,544.52 \text{ Base Support per month}$$

3.05 Shared Economic Responsibility

When children share substantial amounts of time with both parents, child support should consider the costs and savings associated with parenting/custodial time. When a parent cares for a child overnight, that parent will cover many of the child's unduplicated costs. Conversely, the other parent will not be expending food or utility costs for the child. This calculation presumes that as parents spend more time with their children they directly contribute toward a greater share of all expenses.

3.05 (A) Each parent must annually care for the children in the case under consideration a minimum of 128 overnights to meet the threshold for application of the shared economic responsibility formula.

3.05 (B) The shared economic responsibility formula is:

$$\frac{(P_d^A)^2 (P_s^B) - (P_d^B)^2 (P_s^A)}{(P_d^A)^2 + (P_d^B)^2} = \text{Base Support}$$

P_d^A	=	The number of overnights the children will annually spend with Parent A.
P_d^B	=	The number of overnights the children will annually spend with Parent B.
P_s^A	=	Parent A's base support obligation calculated in Section 3.01 - 3.02.
P_s^B	=	Parent B's base support obligation calculated in Section 3.01 - 3.02.

3.05 (C) The shared economic responsibility formula should only be used if an approximate annual number of overnights that the support payer will likely provide care for the children can be determined from the terms of the custody/parenting time order.

3.05 (D) The shared economic responsibility formula should be applied to initial determinations and modifications based upon changed circumstances at the time of modification. It cannot be retroactively applied to existing support orders in a manner inconsistent with MCL 552.603(2).

- 3.05 (E) In order to allow proper application of the formula, every child support order using this shared economic calculation should state that support was set using the shared economic responsibility formula.

Example:

Parent^A has the child 235 overnights. Parent^A earns \$2,200 net per month. Parent^B has the child 130 overnights. Parent^B earns \$1,800 net per month.

$$\frac{(235)^2 \times (\$352) - (130)^2 \times (\$430)}{(235)^2 + (130)^2} = \text{Monthly Support}$$

$$\frac{\$19,439,200 - \$2,267,000}{55,225 + 16,900} = \text{Monthly Support}$$

$$\frac{\$12,172,200}{72,125} = \$168.76$$

Parent^B should pay \$169 each month for base support, plus medical support and child care.

3.06 Parenting Time Support Abatement

- 3.06 (A) The payer's base support obligation for a child should be abated by 50% for periods of six or more consecutive overnights the child stays with that parent.
- 3.06 (B) Every child support order not calculated using the shared economic responsibility formula should include a parenting time abatement provision that allows for abatement of the base support obligation following the conclusion of parenting time according to the terms of this section.
- 3.06 (C) If the support order does not contain a parenting time support abatement provision, no abatement should occur except by written agreement of the parties.
- 3.06 (D) Parenting time abatements must not be used in conjunction with the shared economic responsibility formula (Section 3.05, above) since it already considers parenting time.
- 3.06 (E) The 50% abatement must be calculated based only on the base support obligation (Section 3.01 - 3.02), and not adjust medical (Section 3.07) or child care support amounts (Section 3.08). Medical and child care support obligations accommodate both parents' costs and account for the time the child is in the support payer's care.

Example:

The support payer picks up three children at 9:00 p.m. June 14, and returns one child at 11:00 a.m. June 24, and the other children at 3:00 p.m. June 30. One child spent

ten(10) consecutive overnights in the support payer's household, while the other two were there for seventeen (17) consecutive overnights. This entitles the support payer to ten (10) days parenting time abatement for one child and seventeen (17) days parenting time abatement for two children. If the child support order was \$745 per month (\$701 base support and \$44 ordinary medical expense), the ordered 50% abatement would be determined as follows:

Step 1: Determine the daily support amount per child (see 4.05(B) for daily proration factor)

$$\begin{aligned} \$701.00 \times .033 \text{ month} &= \$23.13 \text{ per day} \\ \$23.13 \div 3 \text{ children} &= \$7.71 \text{ per child per day} \end{aligned}$$

Step 2: Based on the number of overnights, daily support, and participating children, figure the support for each period of parenting time.

$$\begin{aligned} (\$7.71 \times 1 \text{ child}) \times 10 \text{ days} &= \$77.11 \\ (\$7.71 \times 2 \text{ children}) \times 17 \text{ days} &= \$262.17 \end{aligned}$$

Step 3: Figure the 50% abatement.

\$ 77.11 x 50% =	\$ 38 .56	For the 10 days with one child
\$262.17 x 50% =	<u>\$131.09</u>	For the 17 days with two children
Total abatement for period	\$169.64	

3.07 Health Care and Medical Support

3.07 (A) Health Care / Medical Support Obligations

- (1) Support includes provision of health care coverage, and the payment of medical, dental, and other health care-related expenses for children eligible for support. MCL 552.602(ee). A health care support obligation defines who will provide insurance coverage and what coverage should be provided, as well as the division of premiums and ordinary and extraordinary costs between the parents.
- (2) Health care includes treatments, services, equipment, medicines, preventative care, etc. associated with oral, visual, psychological, medical, and other related needs, provided or prescribed by health care professionals.
- (3) Routine remedial care costs (e.g., first-aid supplies, cough syrup, vitamins, etc.) are included in the base support amounts calculated in Section 3.01 -

3.05 and, for the purposes of this section, should not be considered as ordinary or extraordinary health care expenses.

- (4) As part of a total child support obligation, support orders must provide for health care coverage and payment of ordinary and extraordinary health care expenses.
- (5) Health care obligations should be apportioned between parents based on each parent's share of family income, provided that the proportion paid by either party shall not be less than 10.0% nor more than 90.0%. Proportions should be rounded to the nearest tenth percent. The Percentage of Income Schedule contains the noncustodial parent percentages for certain income levels. To calculate the other parent's percentage, subtract the non-custodial parent's percentage from 100%.
- (6) Every support order should set the percentage of costs for which each parent is responsible according to the terms of Subsection 3.07(A)(5). The percentage continues until further order of the court.

3.07 (B) Health Care Coverage

- (1) Responsibility to Insure
 - (a) The law directs that, if a child support order is entered, the court must make **one or both** parents responsible to obtain or maintain health care coverage for the benefit of the parents' children that is available at a reasonable cost as a benefit of employment. Further, if a parent is self-employed and maintains health care coverage, the court must order the parent to obtain or maintain dependent coverage for the benefit of the children. MCL 552.605a(2).
 - (b) Many factors may be used in determining whether one or both parents should maintain employer, group, or private insurance coverage for minor children. When comparing plans, consider factors like: accessibility and comprehensiveness of included services, likely continuation of coverage, affordability of deductibles and co-payments (split as ordinary expenses, Subsection 3.07(C)), and reasonableness of the cost of coverage (Subsection 3.07(B)(3)).
 - (c) Michigan law requires that orders of dependent health care coverage contain qualified medical child support order information. MCL 552.626b. Qualified medical child support orders must clearly specify: the name and the last known mailing address of the participant (providing parent), the name and mailing address of each child covered by the order, the name and mailing address of each child's custodial parent (except the order may provide that the name

and mailing address of an official substituted for the address of any child or custodian), a reasonable description of the type of coverage to be provided to each child or the manner in which the types of coverage is to be determined, and the period to which such order applies. 29 USC 1169.

(2) Reasonable Cost of Coverage

- (a) A reasonable cost for providing private health care coverage does not exceed five percent of the gross income of the providing parent.
- (b) Parents with a net income below 133 percent of the federal poverty level (\$1,032) or whose resident child is covered by Medicaid based on that parent's income should not be ordered to contribute toward or provide private coverage, unless private coverage is obtainable without employee contribution.
- (c) A providing parent's costs for private health care coverage are unreasonable if the parent's total share of child support, child care, ordinary health care expenses, and net share of health care insurance (not including arrearage payments) exceed 50% of the parent's net income as defined in the Michigan Child Support Formula Manual.

(3) Allocation of Premiums

- (a) The net determinable portion of health insurance premiums paid by the parents for children eligible for support in this case should be apportioned between the parents according to their incomes.
- (b) The net premium amount should be included as part of the support payment.
- (c) Calculate the allocation of premiums according to the following steps.

Step 1: Determine the portion of each parent's net health care premium attributable to the children.

- a. If the parent is included on the coverage, use the children's portion of the premium as represented in the difference in cost between single and family coverage. If the policy does not include single coverage or if the parent is not included, use the entire premium.
- b. Divide the children's portion of the premium by the number of individuals covered (excluding the parent

if single coverage was subtracted in Step 1 a), and multiply by the number of children covered in this case.

- Step 2: Determine the children's monthly premium that each parent pays, by dividing each parent's annual premium costs by 12.
- Step 3 Offset the two amounts. Record the support payee's premium payment as a positive number and the other parent's premium payment as a negative number; then add the two amounts together. (Note: A positive result means an additional amount will be paid to cover the custodian's premium and a negative result means less money will be paid as support to offset the payee's portion of the premium).
- Step 4: Determine the payer's portion of the premium payment amount by multiplying the offset amount by the payer's percentage of family income (according to Subsection 3.07(A)(5) and rounding to the nearest cent.
- Step 5: Add the payer's portion of the premium amount, whether positive or negative, to the base support obligation calculated in Sections 3.01 - 3.05.

3.07 (C) Ordinary Health Care Expenses

- (1) Ordinary health care and medical expenses include the payee's co-payments, deductibles, uninsured, and other health care-related costs for children eligible for support in this case. Routine remedial care items are not "ordinary" expenses and are covered in Subsection 3.07(A)(3).
- (2) Every support order should set an annual ordinary health care expense amount to cover the qualifying payee expenditures within a calendar year. The payment amount should be apportioned according to the terms of Subsection 3.07(A)(5). The payer's share of ordinary expenses (rounded to the nearest cent) payment should normally be ordered paid as part of the regular support payment. The recipient's share of ordinary expenses should be directly contributed by the recipient.
- (3) Ordinary Health Care Expense Amounts

- (a) On average, families routinely spend \$289¹ per year per child on ordinary medical expenses.
- (b) The annual ordinary health care expense amount restarts every calendar year and continues with the support obligation or until further order of the court.
- (c) For the purpose of setting medical child support obligations, the amount corresponding to the appropriate number of children listed in the Ordinary Health Care Expense Average Table is presumed to be the amount that will be spent. However, amounts may be added to compensate for higher uninsured known or predictable expenses (e.g., orthodontia, special medical need, ongoing treatment, uninsured children, etc.).

Ordinary Health Care Expense Averages		
Number of Children	Annual Ordinary Expenses	Monthly Payment to Apportion (Annual/ 12)
1	\$289.00	\$24.08
2	\$578.00	\$48.17
3	\$867.00	\$72.25
4	\$1,156.00	\$96.33
5 or more	\$1,445.00	\$120.42

(4) Ordinary Expense Accounting

- (a) The support recipient maintains the annual ordinary health care expense amounts (Subsection 3.07(C)(2) and (3)) to reimburse the children's eligible expenditures (Subsection 3.07(C)(1)).
- (b) All expenditures are considered made in proportion to each parent's percentage of income as established in the order.
- (c) It is presumed that the set amount for ordinary health care expenses will be spent and the recipient will not have to routinely provide proof

¹ *Annual Report on Access to and Utilization of Health Care for Children and Youth in the United States – 2000* in Ambulatory Pediatrics, 2001;8-9. Amount was updated using Detroit CPI-U Medical Index to Feb 2004.

of expenditure for ordinary medical expense amounts. (Note: An accounting showing that the established annual ordinary health care expense amount was exceeded is needed to seek reimbursement of extraordinary expenses.)

- (d) Amounts may be prorated for periods during which they are in effect. To prorate amounts for partial months, see section 4.05(C).
- (e) All qualifying payer health care expenses should be divided as extraordinary expenses.

3.07 (D) Extraordinary Health Care Expenses

- (1) Extraordinary expenses include uninsured medical and health care-related expenditures that exceed the annual ordinary health care expense amount set in Subsection 3.07(C) and a payer's qualifying expenditures.
- (2) Net Extraordinary Health Care Expenses should be apportioned between the parents according to the percentages established in the support order.

3.07 (E) Abatements and Adjustments

- (1) Medical support obligations are based on set costs allocated between both parents. Amounts of support designated for ordinary health care expenses should not be included in parenting time abatements or shared economic adjustments.
- (2) Health care child support figures should be added to the support obligation calculated by shared economic child support equation, rather than being used as part of each parent's support obligation in the shared economic calculation.

3.08 Child Care Support

3.08 (A) When the custodian and/or noncustodial parent incurs work-related child care expenses, a child care support payment is required. Work-related child care expenses include those net expenses which allow the parent to look for employment, retain paid employment, or to enroll in and attend an educational program which will improve employment opportunities.

3.08 (B) When custodians or parents have an established pattern of child care and can verify that they have actual, predictable and reasonable child care expenses on behalf of the children in the case under consideration, the total net expenses to each parent should be apportioned between parents according to their share of family income, provided that the proportion paid by either party shall not be less than 10% nor more than 90%. Proportions should be rounded to the nearest tenth percent. The Percentage of Income

Schedule contains the non-custodial parent percentages for certain income levels. To calculate the other parent's percentage, subtract the non-custodial parent's percentage from 100%.

3.08 (C) In calculating child care expenses to be apportioned between the parents, the net cost to the parent or custodian must be used. Figure the net cost of child care by deducting any child care subsidies, credits (including federal tax credit), or reimbursements from any public or private source from the gross cost of child care.

3.08 (D) The noncustodial parent's portion of the custodian's net costs minus the custodian's portion of the noncustodial parent's net child care must be added to the support calculated in Section 3.01 - 3.05 and the ordinary medical expense support payment.

3.08 (E) When custodians do not have an established pattern of child care expenses, they may request a contingent child care provision. The order shall provide a specific amount for child support and a projected amount for child care. The projected determination should be based on information regarding average child care costs in the community as provided by the local friend of the court or on three written quotations for child care as provided to the friend of the court by the custodial parent. The net cost of child care shall be computed in the same manner as when there is an established pattern of child care. This contingent provision will become effective upon the following:

Step 1: Proof provided by the custodian of employment or enrollment in an educational or training program which will improve employment opportunities.

Step 2: Proof provided by the custodian of actual out-of-pocket child care expenses.

Step 3: The friend of the court notifying the noncustodial parent of the activation of the contingent recommendation and providing that parent with a copy of the verifying documents.

Note: The implementation of the contingent provision may constitute a change of circumstances which would warrant a review or modification.

3.08 (F) Child care shall be recommended up to the start of the school year immediately following the 12th birthday of the child but only to the extent thereafter that the health and safety needs of the child require continued child care.

3.08 (G) In calculating annual child care costs, it shall be assumed that the court's specific parenting time and custody orders are followed.

3.08 (H) If a child care provider requires payment to retain an available slot for a child without regard to whether the child attends during parenting times, vacations, illness or other temporary absences, the required payment shall be used in computing child care costs.

3.08 (I) Prior to making a recommendation, documentation of a parent's child care costs shall be provided by the custodian to the friend of the court on the State Court Administrative Office Approved Child Care Verification Form, or its equivalent.

Example:

The parents have two minor children. The custodian has a monthly income of \$1800 with gross child care costs of \$350 per month and pays even when the child is absent. The noncustodial parent has a monthly income of \$2400 with gross child care costs of \$400 during extended summer parenting time specified in the court order.

Step	Custodian	Noncustodial Parent
Step I: Calculate each parent's gross annual child care costs.	12 months multiplied by \$350 per month equals \$4,200 annually.	\$400 annually
Step II: Subtract the appropriate subsidy, credit, or reimbursement deductions.	\$4,200 annual costs minus \$966 credit equals \$3,234.	\$400 annual costs minus \$0 credit equals \$400.
Step III: Divide annual net child care costs by 12 to obtain average monthly child care costs.	\$ 3,234 divided by 12 equals \$270 per month.	\$400 divided by 12 equals \$33 per month.
Step IV: Prorate each parent's share of the other parent's average net monthly child care cost based on the net income of the parents per the Child Support Formula.	Noncustodial parent's prorated share of the parties' net income is 57.1% (Total net income of parties divided by the noncustodial parent's net income) \$270 multiplied by 57.1% equals \$154 per month.	Custodian's prorated share of the parties' net income is 42.9% (Total net income of parties divided by the custodian's net income) \$33 multiplied by 42.9% equals \$14 per month
Step V: Subtract the higher child care prorated share from the lower child care prorated share.	\$154 noncustodial share of custodian's child care minus \$14 custodian share of noncustodial child care equals net child care of \$140 per month.	
Step VI: Add the net child care amount if noncustodial prorated share is higher. Subtract the net child care amount if the custodian's share is higher.	Add the \$140 in child care to other child support amounts to determine the total support amount.	

4. OTHER FACTORS

4.01 Third Party Custodians

4.01 (A) When a child is in the physical custody of a third party, both of the parents should be required to pay support. The level of support should be determined and apportioned according to the incomes of the parents.

4.01 (B) Use this method when the parents of the child(ren) live in the same household:

Step 1: Determine the combined family net income.

Step 2: Calculate the base support, ordinary medical, and child care expense amount based on family net income.

Step 3: Calculate each parent's individual support obligation by apportioning the combined family support between the incomes of both parents based on a each parent's share of the total family income.

4.01 (C) Use this method when the parents of the child(ren) live in separate households.

Step 1: Determine each parent's and the total family net income.

Step 2: Calculate each parent's support obligation separately by using a custodian income of zero. Apportion the ordinary medical expense amount based on a each parent's share of the total family income.

Step 3: Add a parent's base support obligation, respective share of ordinary medical, and child care expenses to determine that parent's support obligation.

4.02 Different Custody Arrangements For Different Children

It is not unusual for the court to order different custody arrangements for different children. The most obvious arrangement is for one parent to have sole custody of some children and the other parent to have sole custody of other children; this type of arrangement is usually called "split custody." However, it is also possible for some children to be in the sole custody of a parent and other children to be part of a shared custody arrangement, or for shared custody arrangements to vary from child to child. All this real-life complexity can make child support computations equally complex. The following method of computation is intended to apply in all such complex arrangements:

Step 1: Determine **each custody arrangement** involved in the present case (e.g., sole custody of one child with Parent A and sole custody of a second child with Parent B; shared custody of two children 60-40 with Parent A and B respectively and sole custody of a third child with Parent B; etc.).

Step 2: For **each custody arrangement** involved, compute what the child support including ordinary medical expenses, would be for **the child(ren) in that custody arrangement** as if there were no other children.

(**Note:** In order to keep distinct the amounts that would be paid from one parent to the other, record the computed support payments from Parent B to Parent A as positive numbers and those from Parent A to Parent B as negative numbers.)

Step 3: **Add** the amounts obtained in Step 2. The sum of all amounts is the support payment. (Note: If it is negative, it is a payment from Parent A to Parent B; if it is positive, it is a payment from Parent B to Parent A.).

Example 1:

Step 1: There are two children, one each in sole custody of Parent A and Parent B. Parent B has net income of \$1300 per month and Parent A has net income of \$1,050.

Step 2: A) Custody Arrangement #1: Parent A has sole custody of one child, the support amount would be \$294 per month. This is recorded as +\$294 since it is the amount to be a paid from Parent B to Parent A.

B) Custody Arrangement #2: If Parent B had sole custody of one child, the support amount would be \$238 per month. This is recorded as -\$258 since it is the amount to be a paid from Parent A to Parent B.

Step 3: Add +\$294 and -\$238 for a support payment of +\$54. (Note: The positive number indicates the payment is to be made by Parent B to Parent A.

Example 2:

Step 1: There are three children. Two are in the sole custody of Parent A, but the third is in a shared custody arrangement with 60% of the time spent with Parent B and 40% spent with Parent A. Parent B has net income of \$2,200 per month and Parent A has net income of \$1,800.

Step 2: Custody Arrangement #1: Two children are in the sole custody of Parent A, the support amount is \$663 per month. This is recorded as +\$663 since it is the amount to be paid from Parent B to Parent A.

Custody Arrangement #2: One child is in a shared custody arrangement, the support would be \$111. The payment should be recorded as -\$111 per month from Parent A to Parent B.

Step 3: Add +\$663 and -\$111 for a for a total support payment of +\$552 from Parent B to Parent A.

4.03 Arrearage Guidelines

4.03 (A) The Arrearage Guideline is for use by friends of the court, referees, and judges in making arrearage payment determinations and adjustments to ensure statewide consistency by trial courts and friend of the court offices when current support for a child terminates or the payer owes past due support.

- (1) Federal law requires states to have procedures to increase the amount of payments to include amounts for arrearages. 42 U.S.C. 666(c)(1)(H).
- (2) State law requires that the formula contain guidelines for setting and adjusting payments for overdue support when support for a child terminates. MCL 552.519(3)(a)(vi).
- (3) Statute requires the friend of the court office to use the Arrearage Guideline in setting or adjusting arrearage payments. MCL 552.517e.
- (4) When making administrative adjustments to arrearage payment amounts, the friend of the court office must follow procedures “to afford the payer due process including at least notice, an opportunity for an administrative hearing, and an opportunity for an appeal on the record to an independent administrative or judicial tribunal.” MCL 552.517e.
- (5) This Guideline is not intended to interfere with the enforcement of past-due support and its collection through concurrent means and as quickly as is allowed by law, and does not apply to payments set for writs of garnishment and other lump sum collections.
- (6) The Arrearage Guideline is not intended to interfere with judicial discretion in setting fair and equitable payment amounts that deviate from the Guideline. Each case is decided on its own merits.

4.03 (B) Arrearage Payment Calculation

- (1) Support arrearages should be repaid as quickly as possible.

If all or a substantial portion of the arrearage cannot be paid immediately, the Arrearage Guideline should be used when setting arrearage payment amounts where support or fees are owed.

- (2) The monthly arrearage payment is 4.35 percent of the total support arrearage at the time of the review, but not less than \$80 nor more than the current support amount (if no current support charge, use the last ordered charge amount). 4.35 percent will eliminate most arrearages and surcharge within two years.
 - (a) The percentage, 0.6667%, approximates the minimum monthly amount needed to stay current with surcharge.
 - (b) When applying the Guideline, any monies held or retained by the friend of the court office or the State Disbursement Unit as payment of past due child support should be subtracted from the amount of arrearage used to calculate the repayment amount.
- (3) Payments set by this Guideline should be rounded to the nearest whole dollar amount.
- (4) Figure the confinement by applying the calculation (i.e. 4.35%, \$80, or current order amount) to a support arrearage that includes the total confinement expenses and other support arrearages owed at the time of the review. The confinement expense repayment amount should not be less than \$25.00, nor more than the confinement expenses pro-rata share of the total amount owed. Laws, regulations, and other policy determine how these amounts will be distributed on a specific case.
- (5) In order to repay arrearages as quickly as possible, the total-payment-amount used for determining the arrearage payment amount for collection must be the higher of: the most recent total-payment-amount, or the total-payment-amount presently figured using the arrearage payment calculation and current support charge.
- (6) If the support charge has been reduced since the most recent total-payment-amount was set for reasons other than a reduction in payer's income, add that reduction to the arrearage payment to automatically become a new arrearage payment amount. The total-payment-amount remains the same, and more monies are applied to arrears.
- (7) If the most recent total-payment-amount is the payment amount chosen, the aggregate amount remains the same, but consists of a reduced support and an increased arrearage payment amount, the total-payment-amount collected remains in effect until the arrearage has been paid in full, or until modified or adjusted by the court or friend of the court.

(8) Adjustment of Payments When Current Support Obligations Terminate

- (a) If arrearages exist when a current support obligation terminates or is reduced for reasons other than a reduction in the payer's income, there shall be no automatic reduction in the total-payment-amount unless ordered by the court.
- (b) The reductions in the current support amount are added to the current arrearage payment amount and automatically becomes the new arrearage payment amount.
- (c) The total-payment-amount collected remains in effect until the arrearage has been paid in full or until modified or adjusted by the court or friend of the court.

Example:

If a payer is required to pay \$690 per month, \$430 as current support plus \$260 toward arrears, and the current support order terminates, the payer would continue to pay \$690 per month, all to be applied on the arrearage.

4.03 (C) Guideline Deviation and Exceptions

- (1) When application of this Guideline creates an unjust or inappropriate result, deviation may occur and an alternate arrearage payment amount may be established.
- (2) The friend of the court office may utilize its discretion and deviate from the Guideline to increase the arrearage repayment amount:
 - (a) if there has been no other significant change in circumstances (e.g., different source of income, higher income, etc.), **and**
 - (b) if the payer has made all of the payments for the entire period since the repayment amount was set, **and**
 - (c) arrearages have increased by an amount greater than one month's support solely because of accumulation of child support surcharge.
- (3) The friend of the court should not routinely apply the Guideline to administratively change repayment amounts in cases where:
 - (a) the court has set a specific periodic arrearage payment amount in an order, and since entry of that order the arrearages have not increased by an amount equivalent to one month's support based on the current

support amount (if no current support charge use the last ordered charge amount) and the payer's support obligation has not decreased;

- (b) the total amount of arrearage has been reduced, but has not been paid in full since the repayment amount was set (because applying the Guideline when arrears have decreased since the repayment amount was set results in adjustments that extend the repayment period);
- (c) the court previously ordered or the friend of the court implemented a repayment amount that deviates from the Guideline based either upon an unjust or inappropriate result or a formal agreement between the parties, and circumstances have not significantly changed since entry of that order or implementation of the repayment amount; or
- (d) in interstate cases where Michigan and another state's tribunal have entered an order regarding the same payer and child, and the support order and arrears accumulated under the Michigan order are being enforced by another jurisdiction.

4.03 (D) Administrative Adjustment Records

Information should be maintained to record: administrative adjustments by offices, arrearage repayment amounts deviating from the Arrearage Guideline, and the reasons for deviation.

4.03 (E) Definitions for the purpose of the Arrearage Guideline:

- (1) Administrative Adjustment means a change in an amount not ordered by the court.
- (2) Arrearage Payment Amount means periodic amounts in addition to current support which are specifically designated to reduce the arrearage owed, but are not arrearage payments set for writs of garnishment and lump sum orders.
- (3) Confinement Expense means an amount of money ordered by the circuit court under the paternity act for the necessary expenses incurred by or for the mother in connection with her confinement or of other expenses incurred in connection with the pregnancy of the mother.
- (4) One Month's Support means an amount of support equivalent to the periodic charges that would occur in one month under the current support order, or absent a current support charge, the last ordered periodic amount.
- (5) Total-payment-amount means the sum of regular periodic current and past-due support, fees, and other amounts set by court order (support, enforcement,

repayment, etc.) or by administrative adjustment by the friend of the court office to collect support by income withholding or other means.

4.04 Agreements Related to Property

When parents connect property settlement with child support provisions, the provisions must be clearly stated in the judgment of divorce to be given continued effect. MCL 552.605 requires that any property awarded in lieu of support required under the formula must be recorded as a deviation.

4.05 Order Conversion, Proration, and Rounding

4.05 (A) The SCAO has adopted the following factors to convert to monthly amounts. MCL 552.605c.

Multiply weekly amounts by 4.35.
 Multiply bi-weekly amounts by 2.175.
 Multiply semi-monthly amounts by 2.
 Divide bi-monthly amounts by 2
 Divide quarterly amounts by 3.
 Divide semi-annual amounts by 6
 Divide annual amounts by 12.

4.05 (B) To convert monthly support obligations into daily amounts, multiply by .033.

4.05 (C) Charges for orders that begin or change after the beginning of a month, or that terminate before the end of the month, must be prorated for the portion of the month they are effective. Prorate monthly support amounts by applying the following equation:

$$C_b - ((C_b - C_n) \times .033 \times D_n)$$

C_b	=	Beginning Monthly Charge
.033	=	Daily Adjustment (Section 4.05(B))
D_n	=	Number of Days New Amount Effective
C_n	=	New Monthly Charge Amount

Examples:

A new support order for \$468 becomes effective on September 30.

$\$0 - ((\$0 - \$468) \times .033 \times 1) = \15 is owed for September.

An existing order for \$320 terminates on August 12.

$\$320 - ((\$320 - \$0) \times .033 \times 20) = \109 is owed for August.

An existing order for \$784 reduces to \$590 on June 7 because the oldest child graduates.

$\$784 - ((\$784 - \$590) \times .033 \times 24) = \630 is owed for June.

4.05 (D) Support amounts should be rounded to the nearest whole dollar.